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STATEMENT OF JOANN R. BOUTELLE  
DEPUTY CHIEF FINANCIAL OFFICER  
OFFICE OF THE UNDERSECRETARY OF DEFENSE (COMPTROLLER)  
BEFORE THE  
U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON GOVERNMENT REFORM  
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS  
AND  
INTERNATIONAL RELATIONS  
AND  
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY  
INTERGOVERNMENTAL RELATIONS AND CENSUS  
ON  
STRENGTHENING OVERSIGHT OF DOD BUSINESS SYSTEMS  
MODERNIZATION

MARCH 31, 2003

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Thank you, Mr. Chairman, and members of the committees. My name is JoAnn Boutelle and I am the Deputy Chief Financial Officer for the Department of Defense. I am pleased to be here to update you on the course of financial and business management reform within the Department of Defense. Strengthening oversight of business systems modernization is a key element in the transformation of the Department.

Secretary Rumsfeld is committed to transforming the way the Department does business – from the way it fights wars to the way it orders parts. It is one of his top priorities. This transformation effort is fundamentally different from past efforts because it is being driven from the top by the Secretary and all of his senior leaders. This top-down leadership strategy attacks the stovepiped support culture entrenched in the Department, which today is unable to provide timely and key data to decision-makers. Transformation emphasizes rearranging the financial and business processes within and across business lines. Understanding that sound management information is not possible

without comprehensive business process reform and top-level management support are what truly distinguishes this reform effort from those of the past.

Our strategy to increase the efficiency of the Department's business processes and for creating sound management information consists of the following elements:

1. Build a DoD-wide architecture that prescribes the use of standard business and financial rules,
2. Employ a DoD-wide oversight process, consisting of DoD's senior leadership, to implement the architecture and to monitor Departmental spending,
3. Refine and extend the architecture to create a seamless connection between it and other Federal and DoD transformation initiatives,
4. Use performance measures, based on the President's Management Agenda, to oversee the entire process.

Supporting our troops is the main reason we are pursuing this transformation. There must be no retreat in our quest to optimize that support. Productivity gains from the Department's transformation efforts will not only free up more resources for the front-line troops, it will also give decision-makers the management information they need.

Guided by the recommendations of a prominent financial expert, the Secretary created the DoD-wide Financial Management Modernization Program. Its fundamental aim is to overhaul our non-standardized financial and non-financial systems and business processes. Many of the issues brought to light in the General Accounting Office audit report discussing the Defense Finance and Accounting Service's systems are being

addressed in the Financial Management Enterprise Architecture and the new governance process.

The Department is developing a defense-wide architecture that incorporates “leading” business practices. The architecture defines an improved DoD business environment by prescribing the use of standard business processes, rules, data and attributes. It is, in essence, an engine of transformation as well as standardization. The architecture also links business process reengineering to management information needs of the Department’s decision-makers. The consistent use of standard processes throughout DoD will enable our systems to provide timely and accurate financial management information to decision-makers at all levels. Auditable financial statements and a clean audit opinion will be byproducts of this transformation effort. We are also ensuring that our architecture meets the requirements of the government-wide Federal Enterprise Architecture. In doing so, we move closer to our ultimate goal—improving the Department’s business processes. The Department awarded a contract for this architecture development to IBM in April 2002. We have made steady progress in the development of the architecture since that time.

The key to the success of transformation is making it self-perpetuating—the Department is embedding an ethic of change and constant improvement into its culture. We are working hand-in-hand with the owners of the Department’s major business lines to implement the architecture. We are constructing a corporate DoD approach in the way we develop and field our business processes and systems. DoD’s senior’s leaders have

agreed on a high-level governance process to control our investments in information systems.

We clearly understand that successful business and financial reform requires the commitment and support of all those who maintain the Department's business infrastructure.

In closing, Mr. Chairman, I want to restate that the Department's business and financial transformation initiative has Secretary Rumsfeld's complete support. We are working closely with OMB and GAO. Our partners from these agencies have been participating in our reform effort from the beginning. We will also need your continued support. Only by working cooperatively with our partners within and outside of the Department can we build an improved business support infrastructure.

This concludes my formal remarks. I will be happy to answer your questions.